



## Rakon Limited

### Board Charter

#### Introduction

This Charter formalises and sets out the manner in which the Board's powers and responsibilities will be exercised and discharged, adopting principles of good corporate governance and practice that accord with best practice and the applicable laws in the jurisdictions in which the Company operates.

#### Role of the Board

The Board is ultimately responsible for setting the strategic direction of the Company, oversight of the management of the Company and direction of its business strategy, with the ultimate aim being to increase shareholder value. The Board is accountable to shareholders for the performance of the Company.

#### Responsibilities of the Board

In carrying out its principal function, the Board's specific responsibilities include:

1. Providing strategic direction for, and approving, the Company's business strategies and objectives.
2. Reviewing and approving the Company's budgets and business plans and monitoring the management of the Company's capital, including the progress of any major capital expenditure, acquisitions or divestitures.
3. Providing leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.
4. Identifying the principal risks faced by the Company and taking reasonable steps designed to ensure that appropriate internal controls and monitoring systems are in place to manage and, to the extent possible, reduce the impact of these risks.
5. Monitoring the operational and financial position and performance of the Company.
6. Requiring that financial and other reporting mechanisms are put in place by the Managing Director which result in adequate, accurate and timely information being provided to the Board and the Company's shareholders and the financial market as a whole being fully informed of all material developments relating to the Company.

7. Appointing and, where appropriate, removing the Managing Director, approving other key executive appointments, planning for executive succession and monitoring the performance of the Managing Director and other senior executives having regard to the Company's strategic direction and goals.
8. Reviewing and approving the Company's remuneration policies.
9. Establishing procedures to ensure that financial results are appropriately and accurately reported on a timely basis in accordance with all legal and regulatory requirements.
10. Adopting appropriate procedures to ensure compliance with all laws, governmental regulations and accounting standards.
11. Governance and oversight of the Company's health and safety framework to ensure appropriate policies and procedures are in place to enable an effective health and safety culture, setting clear expectations regarding the Company's health and safety management system and ensuring sufficient resources are provided to support the system; monitoring the effectiveness and ongoing improvements to the Company's health and safety management system and conducting an annual review of the Company's health and safety system to determine it is appropriate and effective.
12. Approving and regularly reviewing the Company's internal decision making and compliance policies and procedures, including any codes of conduct, this Board Charter and the charters of the Board's Committees.
13. Ensuring that the Company's internal decision making and compliance policies and procedures are adhered to, to ensure that the business of the Company is conducted in an open and ethical manner.

## **Delegation of responsibilities to management**

The Board delegates management of the day-to-day affairs and management responsibilities of the Company to the executive team under the leadership of the Managing Director to deliver the strategic direction and goals determined by the Board. This delegation includes:

1. Operating the Company's business within the parameters set by the Board from time to time and, where a proposed transaction, commitment or arrangement exceeds these parameters, referring the matter to the Board for its consideration and approval.
2. Developing business plans, budgets and company strategies for the Board's consideration and, to the extent that they are approved by the Board, implementing these plans, budgets and Strategies.
3. Identifying and managing business risks, and if those risks could materially affect the Company or its business, formulating strategies to manage those risks.
4. Managing the Company's current financial and other reporting mechanisms to ensure that they are functioning effectively to capture all relevant material information on a timely basis.

5. Implementing the Company's internal controls, policies, procedures and systems and monitoring these controls, policies, procedures and systems and ensuring that they are appropriate and effective.

## **Delegation of responsibilities to committees**

The Board may, from time to time, establish committees to assist it in carrying out its responsibilities and shall regularly assess whether specific or additional committees are required. For each committee the Board shall adopt a formal charter that sets out the delegated functions and responsibilities for, and the composition of and any administrative matters relating to, that committee. The Board currently has the following committees:

1. Audit and Risk Committee with responsibility to assist oversight by the Board of matters relating to financial accounting and reporting, external and internal audit processes, and internal controls, compliance and risk management.
2. People Committee with responsibility to assist oversight by the Board of human resources and remuneration matters and management of director nomination matters.

The Board is responsible for the oversight of its committees. This oversight shall include, in relation to each committee, determining and reviewing its composition and structure and regularly reviewing its performance against its charter.

## **Reliance on Advice**

The Board is expected to exercise a high standard of commercial judgement. In doing so, Directors are entitled to rely on the advice of Rakon's management team and its external advisers and auditors, but must not substitute reliance for the Board's own due consideration of the issues presented for review and approval.

In discharging their duties, individual Directors may (with the prior approval of the chair) engage and consult with professional advisers from time to time, with any costs being met by the Company.

## **Membership and Independence**

The membership of the Board is determined so that as a collective group it has the skill, knowledge, experience and diversity to meet and discharge its responsibilities. In determining the membership of the Board, the Board has regard to the needs of the Company at the time and whether candidates for directorship demonstrate the appropriate qualities and experience for the role of Director. Directors appointed by the Board must retire and be elected by shareholders at the first annual meeting after their appointment.

All Directors, including any executive directors, must retire by rotation and if eligible stand for re-election at the third annual meeting or three years after their last election whichever is longer.

The Constitution provides that the number of Directors must at any time be no more than ten and not less than three. Subject to these limitations, the number of Directors to hold office will be fixed

from time to time by the Board. At least two Directors must be ordinarily resident in New Zealand. A majority of Directors will be non-executive Directors.

At least two Directors (or one-third if there are eight or more Directors) are to be independent. A Director is only to be regarded as independent if they do not have any direct or indirect interest or relationship that could reasonably influence, in a material way, the Director's decisions in relation to the Company. Without limiting this definition, a Director will be deemed not to be independent if they:

1. are a substantial security holder of the Company, or an associated person of a substantial security holder (other than solely as a consequence of being a Director); or
2. have a relationship (other than in their capacity as a Director) with the Company or a substantial security holder of the Company (or one of their associated persons has such a relationship) and, by virtue of that relationship, that Director (or associated person) is likely to derive, in the current financial year of the Company, a substantial portion of their annual revenue during such financial year.

Equally, and without limiting the factors to be taken into account at the time of determining whether a Director is independent the Board expects a Director will be independent if they are not a member of management and they:

1. have not been employed in an executive capacity by the Company or any related company, or been a Director after ceasing to hold such employment, within the last three years;
2. have not been a principal of a material professional adviser or a material consultant to the Company or a related company, or an employee materially associated with the service provided, within the last three years;
3. are not a material supplier or customer of the Company or related company, or an officer of (or otherwise materially associated with) a material supplier or customer;
4. have no material contractual relationship with the Company or a related company other than as a director;
5. have not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the Company; or
6. are free from any interest and any business, or other relationship, which could, or could reasonably be perceived to, materially compromise their ability to act in the best interests of the Company.

The Board shall identify which Directors it has determined, in its view, to be independent no later than 10 business days following the Company's Annual Shareholders' Meeting and no later than 10 business days following any Director's appointment in respect of a Director appointed by the Board and immediately after making such determination shall release such information to the market. The Board must also include a statement as to which of its Directors are independent in its Annual Report.

The Board shall regularly review the independence of each Director in light of interests disclosed.

## **New Directors and Ongoing Development**

New Directors will receive a letter of appointment agreeing the key terms and conditions of their appointment.

The Board provides for induction of new Directors including access to the Company's key strategic, financial and governance information and engagement with key management and operational site visits.

The Board encourages ongoing development of Directors through specific industry and governance updates provided to the whole Board and individual training and development as identified during individual Director performance reviews.

## **Directors' Conduct and Ethics**

Directors will maintain high standards of honesty, integrity and ethical conduct, which include:

1. The level of fees paid to Directors is subject to approval by shareholders.
2. Directors will not use for personal gain opportunities or information discovered by virtue of their position.
3. Directors will not accept gifts, cash or personal benefits of any value from external parties if it would or could be perceived to compromise or influence any decision.
4. Directors will not offer gratuities or other personal rewards to influence business transactions.
5. Directors' expense claims are approved by the Chair and the Chair's expenses are approved by the Chair of the Audit and Risk Committee.
6. Each Director is required to disclose all actual or potential conflicts of interest.
7. Directors may hold Rakon shares. Directors are subject to the limitations on their ability to deal in Rakon shares under the Company's Financial Product Trading Policy.

## **Chair of the Board**

The Directors may elect one of their number as Chair of the Board. The Company's Chair is not required to be an independent Director. If the Directors appoint a fellow Director as Chair who is not independent, the Company must disclose this fact in its annual report along with the reasons justifying that decision and, in that case, the Chair and the Managing Director shall not be the same person.

**Meetings of the Board**

The Board shall meet as often as it deems appropriate.

Board papers are provided to Directors in sufficient time prior to Board meetings to allow attendees to become familiar with the issues to be addressed. The Company shall ensure that Directors are receiving information of sufficient content, quality and timeliness as the Board considers necessary to enable the Board to effectively discharge its duties.

Proceedings of all Board and Committee meetings are minuted and the minutes signed by the Chair of the relevant meeting subject to prior review and approval by the Board or relevant Committee members. All discussions of the Board and the minutes of meetings remain confidential unless there is specific direction from the Board or disclosure is required by law.

**Review of the Board and this Charter**

The Board shall undertake an annual performance evaluation of itself that:

- 1. compares the performance of the Board with the requirements of this Charter;
- 2. reviews the performance of the Board’s committees and individual Directors;
- 3. considers the goals and objectives of the business for the upcoming year; and
- 4. gives effect to any improvements to the Board’s practices and this Charter deemed necessary or appropriate.

The performance evaluation shall be conducted in such a manner as the Board deems appropriate.

<b>Date of last Review</b>	<b>March 2019</b>
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